2002-2003 Annual Report

Department of Fisheries and Aquaculture

Government of
Newfoundland and Labrador

The Department of Fisheries and Aquaculture
Annual Report
2002-03
(April 1, 2002 - March 31, 2003)

In accordance with Government's commitment to transparency and accountability, I hereby submit to the House of Assembly, the 2002-03 Annual Report for the Department of Fisheries and Aquaculture.

The Department is mandated to promote and support professional and sustainable fisheries and aquaculture industries for the benefit of Newfoundlanders and Labradorians, while representing the province's interests in our most valuable and precious resource, the fishery.

TREVOR TAYLOR, M.H.A.
Minister of Fisheries and Aquaculture

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Departmental Overview

Vision

The Newfoundland and Labrador fishing and aquaculture industries will:

- be viable, private-sector driven and sustainable;
- lead in the production of a diversified mix of high quality products;
- command premium prices in the international marketplace; and
- be recognized as professional and vibrant contributors to the well-being of the province.

In support of this vision, the Department will deliver high quality and cost-effective programs and services in partnership with industry stakeholders and other government departments and agencies.

Mission

> To support and promote the development of sustainable and viable fishing and aquaculture industries, which produce high quality and high value products.
>
> The Department will achieve this by providing industry participants, other government organizations and the general public with programs and services in the areas of fisheries and aquaculture development, quality assurance, processing and aquaculture capacity management, and information services.

Legislative Authority

The Department administers and is governed by the following legislation:

- *Fish Inspection Act*
- *Fisheries Act*
- *Fisheries Restructuring Act*
- *Aquaculture Act*
- *Professional Fish Harvesters Act*
- *Fishery Products International Act*

Lines of Business

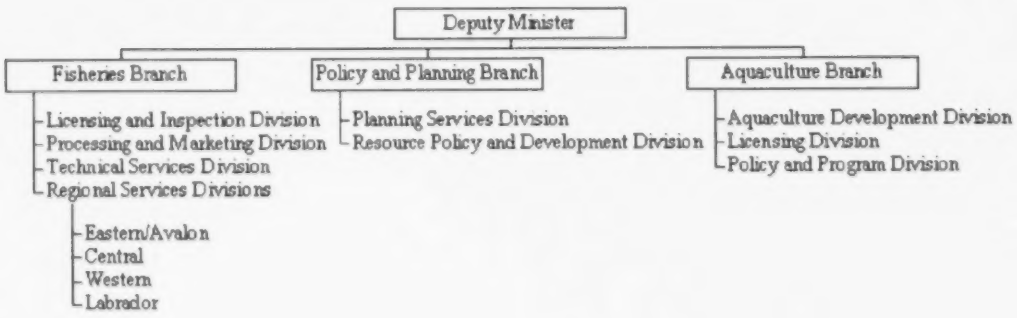
- Licensing of fish processing operations, fish buyers and aquaculture facilities;
- Fishing industry and aquaculture development and diversification;
- Quality assurance, inspection and regulatory enforcement;
- Infrastructure support;
- Policy development and planning; and
- Communications, advocacy and information services.

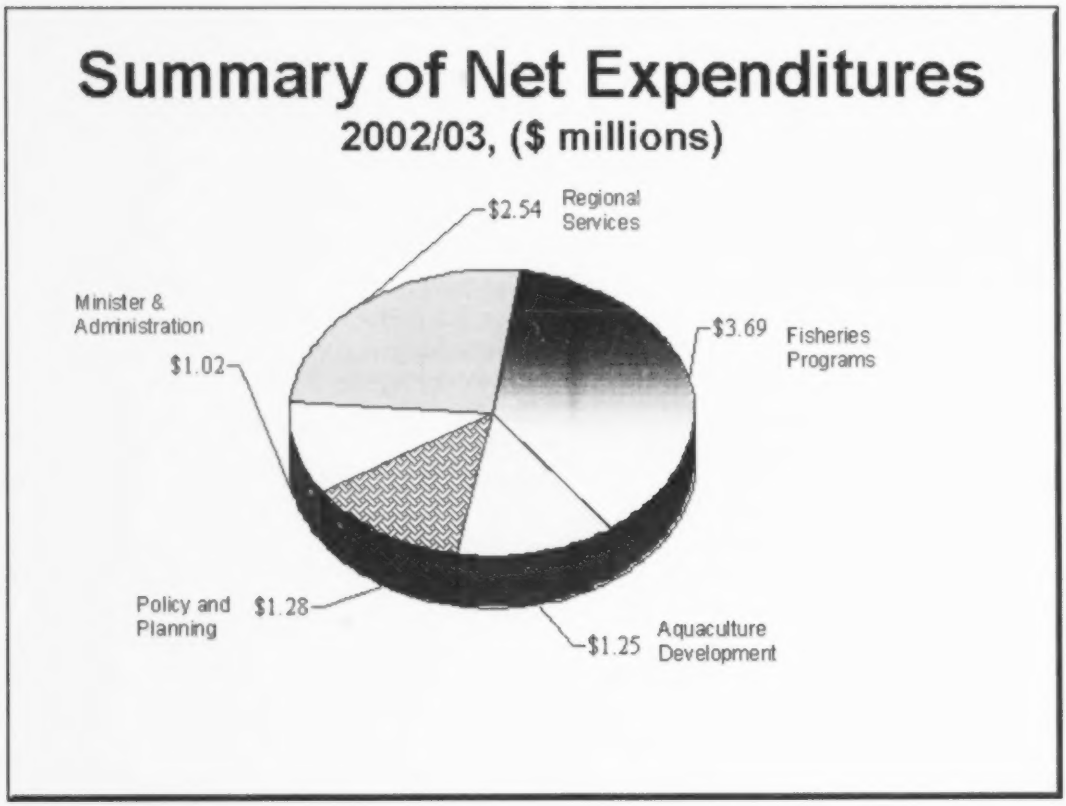
Departmental Profile

The Department of Fisheries and Aquaculture consists of three branches: Policy and Planning, Aquaculture, and Fisheries. The map on the left outlines the five regions and the distribution of the Department's 104 employees (excluding political staff). Approximately 79 per cent are permanent, 15 per cent seasonal and 6 per cent temporary. The net operating budget for 2002-03 was $9.0 million.

The head office is located in St. John's. Regional offices are located in Grand Bank (Avalon/Eastern), Grand Falls-Windsor (Central), Port Saunders (Western), and Happy Valley/Goose Bay (Labrador). The headquarters for the Aquaculture Branch is located in Grand Falls-Windsor and has regional offices in Bay d'Espoir, Corner Brook and St. John's. The organizational chart below identifies the various divisions in the Department's three branches.

Department of Fisheries and Aquaculture
Branch/Division





Shared Commitments

The Department of Fisheries and Aquaculture works with many departments, agencies and groups to fulfill its mandate.

Fishing and Aquaculture Industry Stakeholders

The Department consults and works regularly with a range of key industry stakeholders, including industry associations, such as the Fisheries Association of Newfoundland and Labrador (FANL) and the Fish, Food, and Allied Workers/Canadian Auto Workers Union (FFAW/CAW), on strategic and policy issues of importance to the industry. Input is sought from these groups and others on specific issues and developments in the industry to ensure that their interests and positions are considered. Similar consultation occurs between the Department and the Professional Fish Harvesters Certification Board on matters relating to the professionalization and certification of harvesters.

The Department works closely with the Newfoundland Salmonid Growers Association, the Newfoundland Aquaculture Industry Association, the Marine Institute, the Department of Fisheries and Oceans and other industry stakeholders to promote the development of the aquaculture industry. The Aquaculture Strategic Plan for Newfoundland and Labrador provided the framework for aquaculture development in 2002.

The Government of Canada

The Department liaises and works with its federal counterpart, the Department of Fisheries and Oceans (DFO), on a range of licensing issues, fisheries management and conservation policies, and fisheries development initiatives. The Department is responsible for licensing fish processing plants in the province, while DFO has responsibility for certification of the plants for export purposes. The $10 million Fisheries Diversification Program (FDP) is an example of the commitment to emerging fisheries and diversification shared by the Department, DFO and the Atlantic Canada Opportunities Agency (ACOA). This program was cost shared between the federal government and the provincial government on an 80/20 basis and ended March 31, 2003.

The Department participates with the federal government in various resource management policy initiatives. It is represented on the Fisheries Resource Conservation Council (FRCC) and attends and contributes regularly to the Northwest Atlantic Fisheries Organization's (NAFO) conferences and meetings. The Department represents the province's interests in federal policy development, including such initiatives as the Atlantic Fisheries Policy Review (AFPR) and the Independent Panel on Access Criteria (IPAC). As well, the Department ensures that industry and provincial views are represented in international and internal trade policy, foreign fishing policy, emerging fisheries, aquaculture development and other issues of concern that may arise.

The Department also participates with its federal counterparts on issues related to aquaculture and liaises with the federal Office of the Commissioner for Aquaculture Development (OCAD) and the Office for Sustainable Aquaculture (OSA).

The Department also provides input on federal policy and decision making on aquaculture development and regulation. Input was provided on the implementation of the Federal Aquaculture Policy Framework to promote the interests of the province's aquaculturists. The Department also participates in international forums on aquaculture such as the North Atlantic Salmon Conservation Organization (NASCO).

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Highlights and Accomplishments

The Department experienced a number of highlights during the year which had a positive impact on the fishing and aquaculture industries, specifically:

- The Report of the Inshore Shrimp Panel was delivered to Government on April 17, 2002 and contained 38 recommendations to provide for a viable and profitable shrimp industry in the province. A panel was appointed to review the shrimp industry and make recommendations to improve and deal with structural challenges facing the industry. This structural review of the shrimp fishery, undertaken by the Inshore Shrimp Panel, stemmed from the shrimp fishery closure of 2001 which created months of uncertainty for harvesters and plant workers.

- In the September 2002 Northwest Atlantic Fisheries Organization (NAFO) meetings in Santiago de Compostela, Spain, the Canadian delegation again confirmed for the NAFO Fisheries Commission that serious violations of NAFO conservation and management measures continue to occur outside the 200-mile limit. The Province has taken the position that the Government of Canada should consider alternative options to the current regime, as a means to effectively address the increasing trends in non-compliance by certain non-Canadian fleets in the NAFO Regulatory Area.

- The Department and Government continued to fight trade barriers making several representations to the Department of Foreign Affairs and International Trade (DFAIT) and DFO regarding the restrictive 20 percent European Union (EU) tariff imposed on coldwater shrimp.

- The Department renewed its support of fisheries conservation by providing $300,000 to the Memorial University of Newfoundland Fisheries Conservation Chair, as part of a five-year, $1.5 million commitment.

- In Spring 2002, construction began on a modern commercial cod hatchery in Bay Roberts which will have a maximum output of 10 million cod larvae at optimal production.

- Egg-to-plate, or full-cycle cod aquaculture is proceeding with positive results and advances are being made in hatching, early rearing and in cage growout. Newfoundland and Labrador is at the leading edge of the development of this species.

- The salmonid industry produced larger high quality fish in 2002 due to improved husbandry measures. Blue mussel production increased in 2002 and processors diversified their product line.

- The Newfoundland and Labrador All-Party Committee on the 2J3KL and 3Pn4RS Cod Fisheries prepared a united Newfoundland and Labrador position on the future of cod fisheries.

Key Achievements and Priorities

In the Department's business plan, a number of strategic issues were identified representing the most significant challenges and opportunities for the Department and its clients.

1. Balancing Processing Capacity with Resource Availability

The Department strives to have a viable and self-reliant fish processing sector with a regional balance between processing capacity and resource availability.

Priorities and Strategies

- To help achieve a viable processing industry, the Department has reduced the number of plants by:
  - eliminating government financial support to processing companies for the production of primary products; and
  - permitting the transfer of processing licences to consolidate two or more plants.

Progress and Accomplishments

- As a result of the above strategies and through Departmental processing licensing policies:
  - Primary processing licences were reduced from 213 in 1997 to 125 in 2002.
  - In 1997, in response to an increase in the snow crab resource, Government issued new snow crab processing licences. Prior to this decision, there were 21 active snow crab operations; in 2002, there were 38. It is interesting to note that, in 1989, there were, on average, 400 tonnes of snow crab available per licence, whereas, in 2002, this increased to 1,500 tonnes per licence.

2. Maximizing the Value and Utilization of Newfoundland and Labrador Fisheries and Aquaculture Resources on a Sustainable Basis

The Department's goal is to maximize the returns to the province's economy from all of its fish resources by assisting industry and implementing policies and procedures to achieve this goal.

Priorities and Strategies

- Through its licencing policies and programs, such as the Fisheries Diversification Program, the Department provided assistance to industry to maximize production value through:
  - the development of underutilized species;

- the improvement of the quality of species harvested;
- the improvement of the types of products produced and the production of higher valued products;
- an increase in market access for Newfoundland and Labrador fish products; and
- a decrease in the amount of discarded fish by-products.

Progress and Accomplishments

- Over the duration of the Fisheries Diversification Program, 141 projects were approved, with $9.85 million in government funding expended and an equal amount in private sector investment. Some FDP sponsored projects included:
  - Installation of refrigerated seawater system onboard a 65-foot vessel which simulates the ocean environment contributing to decreased crab mortality and increased quality;
  - Seal fur market development in Korea, Russia, China and Europe generating sales of 140,000 pelts, increased employment and a $1.5 million export value to the company; and
  - Development and market research of carotenoprotein and chitin/chitosan from waste crab shell.

In an effort to maximize the value and utilization of Newfoundland and Labrador fisheries and aquaculture resources on a sustainable basis, the Department undertook the following activities in 2002:

- Quality improvement workshops for crab, shrimp and cod conducted in co-operation with industry resulted in enhanced quality fish. The Department's Quality Assurance Program continued to receive widespread support throughout the industry, with the Department conducting its own quality assessments and completing 6,754 inspections.

- The Department promoted Newfoundland and Labrador seafood at various international and national seafood marketing and promotional expositions such as the International Boston Seafood Show, the International West Coast Seafood Show (Los Angeles), the European Seafood Exposition (Brussels), and the Newfoundland and Labrador Marine Show.

3. Maximizing the Economic Potential of the Aquaculture Industry

Aquaculture development in the province has made significant progress in recent years. The Department continues to work closely with the industry and the Newfoundland Aquaculture Industry Association, to provide a range of technical, administrative, veterinary and planning services to maximize the economic potential of the industry.

Priorities and Strategies

- To maximize aquaculture development by:
  - bringing services closer to the aquaculture industry; and,
  - providing extension, technical, and veterinary services to the industry.
- To increase the aquaculture production and markets through the Department's programs and policies.
- To encourage private sector investment in the industry.
- To maximize the economic value of aquaculture production by requiring the highest quality standards.

Progress and Accomplishments

- The relocation of the Aquaculture Branch to Grand Falls-Windsor contributed to making Departmental services more accessible to the industry, since the majority of provincial aquaculture activity is in the central region of the province.
- The Department continued to provide planning, technical, research and veterinary services to the industry.
- In August 2002, the Aquaculture Branch received $1 million in funding under the Canada/Newfoundland and Labrador Comprehensive Economic Development Agreement for the Aquaculture Sector Development Program. The program will be completed in January 2004.
- Through the assistance of the Department:
  - The production of mussels increased from 1,452 tonnes in 2001 to 1,700 tonnes in 2002;
  - The salmonid industry is producing larger high quality fish due to recent improvements in fish health and growth as a result of improved husbandry measures;
  - Cod growout[1] production increased again in 2002 to 227 tonnes from 207 tonnes in 2001;
  - Private sector investment interest in the Bay d'Espoir aquaculture industry continued;
  - Egg-to-plate aquaculture is undergoing significant evolution and is creating excitement and much promise in the industry; and
  - The commercial cod hatchery in Bay Roberts is expected to be in production in 2003 and has the potential to produce 10 million juvenile cod annually.
- Again this year, and in consultation with industry, grading and handling procedures were developed to maximize mussel quality.

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[1] Growout is the practice of placing wild cod in cages, holding and feeding them for a minimum of three months, during which time they can double their initial weight. This cod receives higher prices in the marketplace.

- The Department assisted mussel processors diversify their product lines to re-enter the fresh mussel market.

4. Securing Newfoundland and Labrador's Share of Fish Resources

Over the past twenty years or more, there has been great concern over the erosion of Newfoundland and Labrador interests on matters of resource access and allocation in favour of non-Newfoundland and Labrador interests. This has increased the need for the province to take measures to secure its share of adjacent fish resources.

Priorities and Strategies

- The Department promotes the principles of adjacency and historical participation through:
  - aggressively pursuing strategies to protect the province's interest in NAFO-managed stocks;
  - continuing to participate in the Atlantic Fisheries Policy Review (AFPR) which commenced in 1999; and
  - representing the province's interests at the Canada/France and Canada/Greenland bi-laterals and other international forums and bilateral agreements.

Progress and Accomplishments

- In 2002, the Government of Newfoundland and Labrador continued to make strong representation, as a member of the Canadian delegation to NAFO, regarding Canadian strategies to improve the management of straddling fish stocks.
- The federal IPAC report was released in March 2002. The Federal Minister accepted the principles and criteria put forth by the Independent Panel on Access Criteria (IPAC) as the basis for the Department of Fisheries and Oceans' "New Access Framework", which will guide decision-making to improve fisheries management. In August 2002, the Department made an additional representation to the Federal Minister outlining once more the position of the province regarding adjacency.
- The Government of Newfoundland and Labrador rejected the IPAC Report because it did not respect the province's position on adjacency relating to the distribution of resource access. The province continues to hold the firm position that fish resources adjacent to this province remain for the benefit of the people of Newfoundland and Labrador.
- The Department is an ex-officio member of the External Advisory Board for AFPR and participates with industry and the Government of Canada in this policy review initiative.

5. Supporting Community-Based Fisheries Infrastructure

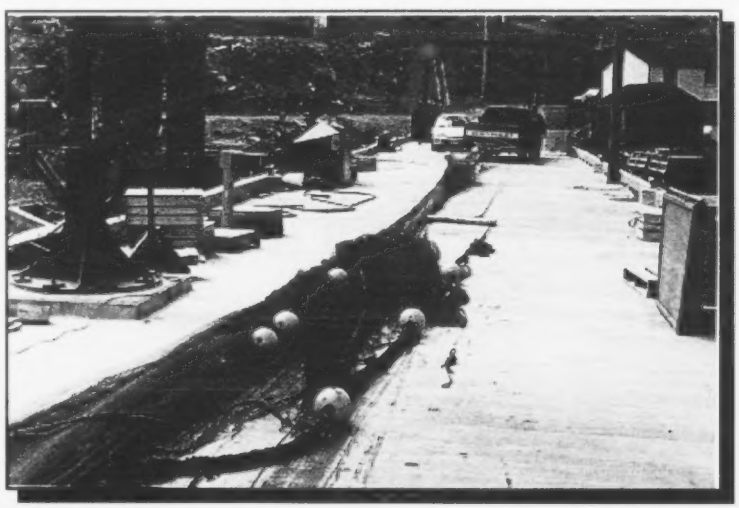
There is a continuing need for community-based fisheries infrastructure to support a viable, diversified and professional fishing industry. Community groups are most knowledgeable of the local demands placed on these facilities and, with assistance from the Department, are best able to operate these facilities.

Priorities and Strategies

- The Department continues to help improve the availability and condition of community-based fisheries infrastructure throughout the province by:
  - maintaining special financial support for strategic community-based fisheries infrastructure; and
  - divesting of government-owned fisheries facilities such as community stages and slipways to community-based organizations.

Progress and Accomplishments

- Prior to the divestiture initiative, the Department owned and administered 312 facilities, including fish plants, marine service centres, community stages and slipways. By the end of 2002, the Department had divested of 233 facilities, of which five were divested in 2002.
- In 2002, the Department administered 217 special assistance grants to community-based organizations in all regions of the province, for a total of $382,000. This funding enabled these groups to leverage additional funds from other agencies. Typical projects included wharf and slipway repairs and infrastructure upgrading.
- There were 26 maintenance and repair projects carried out in 2002-03, at a total cost of $50,000, to cover projects such as repairs to department-owned baited trawl units and straddle cranes.
- The Department spent $84,000 from capital funding on such things as new refrigeration equipment for baited trawl units and concrete upgrading work on Departmental infrastructure.
- Major wharf construction remains a federal responsibility and the Department continues to encourage the federal government to invest in strategically-located fisheries infrastructure.
- The Department divested of 22 of its 25 marine service centers. The remaining three have been leased.



6. Improving Co-operation with the Federal Government

The Department strives to develop and maintain a co-operative relationship with the federal government on significant matters and issues relating to the fishing and aquaculture sectors. This co-operative arrangement assists Government and its clients, in achieving more effective delivery of programs and services, and increased benefits from marine fish resources.

Priorities and Strategies

- Improve the co-operative relationship between the Department and the federal government.
- Improve consultation, co-operation and information sharing between the Department and the federal government, by participating on federal/provincial working groups and ministerial councils.

Progress and Accomplishments

- The Department works co-operatively with the federal government through a variety of federal/provincial/territorial committees, meetings, working groups, and other structures at the ministerial and officals' level. Examples include:
  - Atlantic Council of Fisheries and Aquaculture Ministers (ACFAM);
  - Federal/Provincial Atlantic Fisheries Committee (FPAFC) and working group;
  - Canadian Council of Fisheries and Aquaculture Ministers (CCFAM);
  - NAFO (the Department is a member of the Canadian delegation);
  - Regional and Atlantic-wide fisheries advisory committees;
  - Fisheries Resource Conservation Council (FRCC);
  - Regional/Zonal Advisory Process (RAP/ZAP) sessions; and
  - Canada/France and Canada/Greenland bilateral meetings.
- The Department participates in several CCFAM Task Groups relating to oceans, aquatic invasive species, aquaculture and capacity management.
- The Department is Chair of the Working Group on Internal Trade and actively participates in many international trade issues with the Department of Foreign Affairs and International Trade. Priority issues for the Department were European Union shrimp and groundfish tariffs and the United States Marine Mammal Protection Act (MMPA).

7. Promoting Fish Stock Recovery

There is a continuing need to promote the recovery of our groundfish stocks. Many of these stocks remain at critically low levels and the Department will continue to be proactive in having this issue addressed at the federal level. In addition, there must be greater emphasis on fisheries management resources to address the overpopulated seal resource.

Priorities and Strategies

- To promote the recovery of groundfish stocks, the Department:
  - supports an increase in the total allowable seal harvest;
  - participates on the Fisheries Resource Conservation Council;

- continues to make strong representations to NAFO on fisheries conservation and management issues; and
- supports the establishment of Total Allowable Catches (TACs) consistent with scientific advice.

Progress and Accomplishments

- The Department participated in and supported the Fisheries Resource Conservation Council (FRCC);
- The Department participated on advisory committees on fisheries management issues; and
- Completed a Newfoundland and Labrador position paper on cod fisheries (Newfoundland and Labrador All-Party Committee Report on the 2J3KL and 3Pn4RS Cod Fisheries).

8. Promoting the Fishery as a Professional Industry

The fishing industry is changing to become a more efficient, professional and self-sustaining industry. The Department supports the professionalization of the fishing industry and works closely with the Professional Fish Harvesters Certification Board to achieve this goal.

Priorities and Strategies

- To have the commercial fishery recognized as a professional and self-sustaining industry.
- To have the commercial fishery recognized as an equal-opportunity employer.

Progress and Accomplishments

- The Department continued to support the Professional Fish Harvesters Certification Board.
  - The Department administers the Board's enabling legislation.

9. Supporting the Implementation of New Fish Price Settlement Mechanism

The Department works with the Department of Labour on the implementation of the Final Offer Selection (FOS) process as a means to negotiate fair prices and bring stability to the industry.

Priorities and Strategies

- To ensure an efficient and equitable process governing the fish price negotiations through FOS, the Department:
  - provides the participants with up-to-date market intelligence;
  - supports the negotiation and arbitration process; and
  - works with the Department of Labour on legislation and other related issues.

Progress and Accomplishments

- In 2002, through the negotiation process and support of the Department, nine price agreements were achieved through negotiation and three were achieved by arbitration. This

process brought stability to the industry and facilitated an agreement between processors and harvesters relating to quality assurance initiatives, trip limits, dockside grading and seasonal closures.
- All fisheries started on time in 2002.
- The Department cost-shared fish and seafood market research with industry.
- Interim legislation was introduced to continue with the FOS model.
- A Review of the Fishing Industry Collective Bargaining Act (The Jones Report) was announced.

10. Health and Safety in the Harvesting, Aquaculture and Processing Sectors

There are new challenges that are affecting the safety and health of processing workers, fish harvesters and fish farmers. Illnesses such as shellfish asthma are negatively affecting the health of employees. Similarly, inshore harvesters face greater risk, as they venture further offshore and aquaculturists face risks in diving and harvesting operations. While health and safety are typically the jurisdiction of other government departments, the Department of Fisheries and Aquaculture is usually the first contact for many stakeholders. As such, the Department works with the other departments and agencies to ensure that these issues are addressed.

Priorities and Strategies
- To identify and help resolve safety problems in the fishing and aquaculture industries.
- To encourage DFO to change its vessel replacement rules to allow harvesters to use larger and safer vessels.
- To eliminate shore-fastened moorings on aquaculture sites.

Progress and Accomplishments
- The Department continued to participate in the Safety Net initiative, a community research alliance on health and safety in marine and coastal work. Specifically, the Department supported research on:
  - occupational asthma in shellfish processing workers;
  - cumulative trauma disorders in snow crab processing workers; and
  - fish harvesters' occupational health and fishing vessel safety.
- The Department continued to request that DFO review its vessel replacement policy.
- The Department, in co-operation with DFO, Coast Guard, and the Newfoundland Aquaculture Industry Association (NAIA), is working to ensure that all aquaculture sites comply with the federal *Navigable Waters Protection Act*.
- The Department, through aerial assessment of aquaculture sites, identifies and prioritizes, for the on-site inspection program, any site where moorings may be an issue. In addition, close co-ordination between Canadian Coast Guard and the Department continues to ensure that both regulatory agencies are involved in addressing mooring issues.

Challenges and Opportunities

Building on the progress of 2002-03, the Department and the fishing and aquaculture industries will continue to respond to a number of challenges and opportunities in 2003-04.

Challenges

- The Department and the Newfoundland and Labrador fishing industry will continue to be challenged to ensure that an effective management regime is put in place for straddling fish stocks currently managed by NAFO. The Department will continue to press the Government of Canada to seek alternatives to the current management regime outside of Canada's 200-mile limit.

- The Department and the processing sector continue to seek an improved balance between processing capacity and the supply of fish available within the province.

- The recovery of groundfish stocks remains a major objective, particularly Gulf cod and Northern cod fisheries.

- Incomplete scientific knowledge and reduced scientific resources remains a challenge to fisheries resource management.

- With the conclusion of the Fisheries Diversification Program, the Department will be challenged to identify new sources of funding for fisheries development and diversification.

- The lack of recovery of wild cod stocks will continue to affect the availability of wild cod for growout. The Department will continue to work with DFO on this issue.

- Government is challenged to maximize the benefit and value from our shrimp resource in the face of the rapid growth of this sector since 1997, and the many structural problems and growing pains experienced in the industry since that time.

- The existence of continued tariff/non-tariff barriers to international trade in fish products continues to challenge the industry, particularly the seal and shrimp sectors.

- The Department must remain vigilant to protect the province's share of fish resources adjacent to the province from various non-Newfoundland and Labrador interests.

- Government and the sealing industry are challenged to fully develop seal resources to expand the industry and to minimize the impact that the expansion of the herds will have on the recovery of cod stocks.

- Challenges remain with the collective bargaining process.

- The closure of cod fisheries in 2J3KL and 3Pn4RS signaled the need for a review of provincial processing policy.

Opportunities

- The new cod hatchery in Bay Roberts is expected to open in 2003 and is creating much excitement and promise for the cod aquaculture sector (egg-to-plate). The province is on the leading edge of the new cod egg to-plate research and development.

- The mutually-agreed industry and government aquaculture strategy developed in 2000 is expected to provide structured growth in the egg-to-plate cod sector.

- Building on the success of the FDP, fisheries development opportunities exist for new species development (whelk, sea cucumber and toad crab) quality enhancement, by-product utilization and secondary processing.

- The next round of World Trade Organization (WTO) negotiations will provide the Department with an opportunity to have input into the elimination of major tariffs and non-tariff barriers.

- Significant value-added and diversification opportunities exist for the sealing industry particularly involving the pharmaceutical, nutraceutical and fashion industries.

- The Government of Canada has an opportunity and a duty to enhance the conservation and management of straddling fish stocks through such measures as custodial management, effective implementation of the United Nations Fisheries Agreement (UNFA), and improvements to NAFO's surveillance and enforcement measures. The Department will continue to press for such measures.

Catch Our Website

www.gov.nl.ca/fishaq

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